

Office of the Municipal Manager

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31 August 2010

FOR ATTENTION: SIYAKHULA VILAKAZI

Office of the Auditor-General
 P.O. Box 91081
 AUCKLAND PARK
 2006

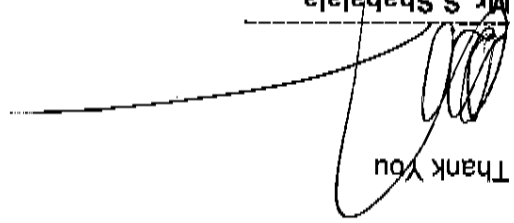
Dear Sir,

SUBMISSION OF ANNUAL FINANCIAL STATEMENTS OF EMFULENI LOCAL MUNICIPALITY

In accordance with Section 126 of the Municipal Finance Management Act, Act 56 of 2003, the Accounting Officer of the Municipality must prepare the annual financial statements of the Municipality, and within two months after the end of the financial year, to which those statements relate, submit the statements to the Auditor-General for auditing.

Attached hereto, please find the Annual Financial Statements of 2009/2010 of Emfuleni Local Municipality.

Thank You


 Mr. S Shabalala
 Municipal Manager

30 August 2010
 Date

EMFULENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010



I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

S. S. S. S.

Date _____

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
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Members of the Council

Members of the Council

Municipal Manager

Grading of Local Authority
Grade 11

Registered Office

Registred Office:

Postal Address:

telephone number:

www.emphilei.gov.za

**EMFULENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	6,996,670	11,403,332
Trade and other receivables from exchange transactions	2	74,090,438	129,171,562
Other receivables from non-exchange transactions	3	22,107,440	4,090,820
Inventories	4	22,002,174	11,030,875
Investments	5	135,106,924	234,613,224
Vat receivable	6	35,285,640	18,228,931
Non-current assets			
Investments	5	48,653,485	43,221,446
Property, plant and equipment	7	1,694,820,135	1,500,099,002
Total assets		2,039,062,906	1,951,859,192
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	485,720,658	389,253,696
Consumer deposits	9	29,399,784	27,705,880
Current portion of unspent conditional grants and receipts	10	114,502,827	118,981,548
Current portion of borrowings	11	6,278,147	5,051,892
Current portion of finance lease liability	12	63,453,574	18,455,534
Non-current liabilities			
Non-current borrowings	11	93,217,094	100,205,875
Non-current finance lease liability	12	72,092,273	51,285,606
Non-current provisions	13	1,607,688	1,607,688
Total liabilities		866,272,045	712,547,719
NET ASSETS			
Reserves		1,156,924,787	1,054,198,388
Accumulated surplus	14	15,866,074	185,113,085
Total net assets		1,172,790,861	1,239,311,473
Total net assets and liabilities		2,039,062,906	1,951,859,192

**EMFULeni LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

REVENUE	Note	2010	2009		
					R
Property Rates	15	244,994,625	262,075,166		
Service Charges	16	1,539,956,150	1,270,288,936		
Rental of Facilities and Equipment	17	8,407,455	7,050,203		
Finance Income	18	83,851,103	187,455,730		
Dividends Received		14,280	4,905		
Fines	19	8,138,944	30,087,799		
Licences and Permits		8,054	3,851		
Government Grants and Subsidies	20	550,017,756	407,358,168		
Other Income	21	112,794,576	106,682,030		
Gains on disposal of property, plant and equipment	22	2,890,463	4,170,817		
Total revenue		2,551,073,406	2,275,177,603		
EXPENDITURE					
Employee costs	23	545,504,046	445,994,440		
Remuneration of councillors	24	21,637,511	20,149,859		
Depreciation and amortisation expense		120,858,061	97,085,156		
Repairs and maintenance		174,474,499	115,563,935		
Finance costs		30,736,586	26,265,074		
Provision for credit losses		416,087,060	679,766,212		
Bulk purchases	25	994,917,583	779,473,403		
Contracted services		59,750,881	40,115,703		
Grants and subsidies paid		13,312,320	18,423,868		
General expenses	26	267,540,807	313,711,679		
Total expenditure		2,644,819,354	2,536,549,329		
(Deficit)/Surplus for the period		(93,745,948)	(261,371,724)		

EMFULENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Capital Replacement Reserve (CRR)	Capitalisation Reserve (CR)	Government Grant Reserve (GRR)	Self Insurance Reserve	Revaluation Reserve (RR)	Accumulated Surplus	Total
	R	R	R		R	R	R
2009							
Balance at 01 July 2008		14,389,604	496,595,391		457,036,710	543,134,938	1,511,166,642
Changes in Accounting Policy						(10,473,445)	-
Correction of prior period error						(10,473,445)	-
Restated Balance	-	14,389,604	496,595,391		457,036,710	532,661,493	1,500,683,197
Surplus for the year						(261,371,724)	(261,371,724)
Transfer to CRR	98,963,730		142,673,758			(98,963,730)	-
Property, Plant and Equipment Purchased	(98,963,730)		(28,107,329)			(43,710,028)	-
Assets written off/transferred		(1,788,838)			(26,600,908)	56,497,074	-
Offsetting of Depreciation							-
Utilised to finance PPE							-
Balance at 30 June 2009	-	12,600,766	611,161,821		430,435,802	185,113,085	1,239,311,473
2010							
Balance at 01 July 2009	-	12,600,766	611,161,821		430,435,802	185,113,085	1,239,311,473
Correction of prior period error						19,166,518	19,166,518
Restated Balance	-	12,600,766	611,161,821		430,435,802	204,279,603	1,258,477,991
Deficit for the year						(93,745,946)	(93,745,946)
Transfer to CRR	105,364,189					(105,364,189)	-
Contribution to self insurance				8,058,817		(4,016,831)	8,058,817
Property, Plant and Equipment Purchased	(105,364,189)		109,381,020		24,727,943	14,713,437	-
Offsetting of Depreciation		(1,760,915)	(37,680,466)				-
Balance at 30 June 2010	-	10,839,851	682,862,375	8,058,817	455,163,745	15,866,074	1,172,790,862

**EMFULENI LOCAL MUNICIPALITY
CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		2,066,544,523	1,637,736,700
Cash paid to suppliers and employees		(1,918,192,055)	(1,672,008,987)
Cash generated by (used in) operations	27	147,352,468	(34,272,286)
Dividends received		14,280	4,905
Investment income		17,321,820	39,308,894
Interest received		65,772,971	148,146,836
Interest paid		(30,071,620)	(26,265,074)
Net cash from operating activities		200,389,919	126,923,276
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(315,819,265)	(190,394,273)
Proceeds on disposal of property, plant and equipment		3,130,535	4,704,437
Increase in non-current investments		(5,432,039)	(5,188,702)
Net cash utilised from investing activities		(318,120,769)	(190,878,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(6,988,779)	(6,587,366)
Repayment of borrowings		20,806,667	(33,358,526)
Repayment of finance lease liability		13,817,888	(39,945,892)
Net cash utilised by financing activities		(103,912,962)	(103,901,155)
Net (decrease)/increase in cash and cash equivalents		246,016,556	349,917,711
Cash and cash equivalents at the beginning of the year	28	142,103,594	246,016,556
Cash and cash equivalents at the end of the year		246,016,556	246,016,556

EMFULENI LOCAL MUNICIPALITY **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED** **30 JUNE 2010**

1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

- The annual financial statements are prepared in accordance with:
 - Directive 5 – Determining the GRAP Reporting Framework, issued by the Accounting Standards Board in March 2009 and comprising of:
 - the Standards of Generally Recognised Accounting Practice (GRAP) as quoted beneath;
 - the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in:
 - General Notices 991 and 992 of 2005, dated 7 December 2005 and issued in Government Gazette No. 28095 of 15 December 2005; read in conjunction with Gazette No. 30013 of June 2007;
 - Directive 3: Transitional provisions for the adoption of standards of GRAP by high capacity municipalities issued by the Accounting Standards Board in February 2008 and amended to entertain transfer of functions in March 2009;
 - Standards and pronouncements of other standard setters in descending order, to develop an appropriate accounting policy only to the extent that the requirements are not in conflict with the Standards of GRAP or the Framework for the Preparation and Presentation of Financial Statements:

- International Public Sector Accounting Standards Board (IPSASB).
- International Accounting Standards Board (IASB), including the Framework for the Preparation and Presentation of Financial Statements.
- Accounting Practices Board (APB).
- Accounting Practices Committee (APC) of the South African Institute of Chartered Accountants (SAICA).

Accounting policies for material transactions, events or conditions not covered by the above GRAP or GAMAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand (ZAR) which is also the functional currency of the municipality and are rounded to the nearest Rand.

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The presentation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the prevailing circumstances. Actual results may differ from these estimates.

All significant judgements and underlying assumptions are reviewed on a constant basis. All necessary revisions of significant estimates are recognised in the periods during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgements and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following:

1.3.1 Trade receivables / held to maturity investments and loans and receivables

The municipality assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.3.2 Provisions

Provisions were raised and management determined an estimate based on the information available.

1.3.3 Allowance for credit losses

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.4 Distinguishing between operating leases and finance leases

In making the judgement in terms of GRAP 13, the municipality evaluates, among other factors, the level of risks and rewards transferred by determining the following:

- transfer of ownership at end of the lease term;

- the issue of a prior determined bargain purchase option;
- if the lease term covers the major part of the asset's economic life, and
- if the present value of the minimum lease payments approximates the fair value of the asset,
- transfer of ownership at the end of the lease term
- the lessee will have received substantially all the benefits of ownership because it will have paid an amount that is close to the asset's fair value.
- The leased asset is constructed to the municipality's specification and could not be used by others without significant modification,
- On cancellation of the lease, the lessor's losses associated with the cancellation, e.g. loss of rental revenue are carried by the lessee;
- Movements in the fluctuation of the fair value of the residual accrue to the lessee;
- The lessee may upon expiration of the lease agreement, continue the lease at a rent which is substantially lower than market rent

Should a lease correspond with at least three of the criteria, the lease is regarded as a finance lease.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

2 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS - NEW STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED

The accounting policies set out below have been applied consistently except where indicated:

2.1 PRESENTATION OF FINANCIAL STATEMENTS

GRAP 1: Presentation of Financial Statements does not apply to those items that have not been recognised as a result of Directive 3 - Transitional provisions under the Standards of GRAP on property, plant and equipment and inventories until the transitional provisions in those standards expire.

2.1.1 Reserves

2.1.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The following provisions are set for the creation, feasibility and utilisation of the CRR:

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR can only be utilised to finance items of property, plant and equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.
- Profit on the sale of land during a financial year is reflected in the Statement of Financial Performance. Profit on the sale of land more than budgeted is transferred annually via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

2.1.1.2 Capitalisation Reserve (CR)

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment has been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of the Annexure: Accounting Standards implementation guide attached to Circular No. 18: Implementation of new accounting standards, dated 23 June 2005 issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.1.1.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the government grant recorded as revenue in the Statement of Financial Performance.

Government Grant Reserve (cont.)

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed through a government grant is disposed off, the balance in the Government grant reserve relating to the item is transferred to the accumulated surplus/(deficit).

2.1.1.4 Donations and Public Contributions

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with GRAP 24 Presentation of Budget information in Financial Statements issued by National Treasury in November 2007. The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2.1.1.5 Revaluation Reserve

The surplus arising from the revaluation of land, buildings and electrical infrastructure is credited to a non-distributable reserve.

The revaluation reserve is realised as revalued assets are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus/(deficit).

On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

2.1.1.6 Self-Insurance Reserve

A Self Insurance Reserve has been established to cover claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Self-insurance Reserve (cont.)

Insurance premiums are paid from the expenditure accounts of the departments. Contributions by the departments to the insurance reserve are transferred from the contribution expenditure accounts of the departments to the insurance reserve according to amounts budgeted for in the operating budget.

Claim payments received from external insurers are utilised in the calculation of a gain or loss on the scrapping of damaged assets and are recorded in the Statement of Financial Performance.

Claim payments received in respect of repairs, damages and/or losses to assets are receipted to the insurance cost centre income account and are then transferred from the insurance cost centre transfer expenditure account to the insurance reserve where it is reflected as income.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the insurance reserve to the insurance cost centre transfer income account. The repair and replacement cost is reflected as an expense in the insurance reserve.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE AND ADOPTED.

The municipality has adopted the following accounting standards and interpretations that are effective for the current year and that are relevant to its operations:

2.2.1 Borrowing costs

The municipality has applied the requirements of the GRAP 5: Borrowing Costs prospectively. The requirements of the Standard of GRAP on Borrowing Costs only apply to those borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date of the Standard.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

2.2.2 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The consumption are made monthly when meter readings have not been performed. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on the average consumption over the previous three months.

Revenue from the sale of prepaid electricity meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Finance income is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a time proportionate basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

2.2.3 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, deferred income is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the sale of goods and services are recognised at its face value or cost. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

Discounting of future receipts was done using an imputed rate of interest equal to the interest rate utilised by the financial system for the month of June 2010.

2.2.3.1 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

2.2.4 Events after the reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

2.2.5 Financial Instruments

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

2.2.5.1 Initial recognition

Financial instruments are initially recognised at fair value.

2.2.5.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

2.2.5.3 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

2.2.5.4 Trade and other receivables

Trade and other receivables are categorised as financial assets; loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

2.2.5.5 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

2.2.5.6 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

2.2.5.7 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade and other payables from exchange transactions - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal value.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

2.2.5.8 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

2.2.6 Employee benefits

In the absence of a Statement of GRAP on Employee Benefits, the municipality discloses the employee benefits as per IAS 19.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2.2.6.1 Post-retirement medical benefits

The Municipality provides retirement benefits for its employees and councillors. Contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds are actuarially valued annually on the projected unit credit method basis due to the cost implication. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

A provision is maintained in respect of the liability to employees relating to post-retirement benefits, such as medical aid contributions

2.2.6.2 Provision for credit losses

The provision is equivalent to 100% of amounts owed to the municipality categorised as follows:

- Average difference of cash not collected per debtor per service per category over the financial year.

In accordance GRAP 1: Presentation of Financial Statements and IAS 39: Financial Instruments, the provision for credit losses has been deducted from the amount outstanding by debtors at 30 June 2009.

2.2.6.2.1 Discounting of trade receivables (Consumer debtors)

Discounting of consumer debtors is recognised by utilising the actual billing for the month of June 2010 as performed middle of June, subtracting the payments received on the billed accounts until 30 June 2010, as well as the interest levied on outstanding debtors for the month and calculating the subsequent present value as at 30 June 2010 with the interest rate of 12.5% being the prime rate plus one. This interest rate is equivalent to the interest rate utilised by the municipality for the respective month. All calculations are exclusive of VAT.

2.2.6.2.2 Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date.

Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

2.2.6.3 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expended, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government Finance Management Act 2003, (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

2.2.6.4 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003), the Municipal Systems Act, (Act No. 32 of 2000), the Public Office Bearers Act, (Act No. 20 of 1998) or the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

2.2.6.5 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

2.2.7 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Key management personnel, and close members of the family of key management personnel;

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has the authority. The council, together with the Municipal Manager and Section 57 employees has the authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the reporting entity.

2.3 ACCOUNTING STANDARDS THAT ARE EFFECTIVE BUT NOT RELEVANT.

The municipality has adopted the following accounting standards and interpretations that are effective but are not relevant to its operations:

- GRAP 4: The effects of changes in foreign exchange transactions.
- GRAP 6: Consolidated and separate financial statements.
- GRAP 7: Investments in associates.
- GRAP 8: Interests in joint ventures.
- GRAP 10: Financial reporting in hyperinflationary economies.
- GRAP 11: Construction contracts.
- GRAP 101: Agriculture.

2.4 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following accounting standards are not yet effective and not yet adopted by the municipality:

- GRAP 18: Segment Reporting
- GRAP 21: Impairment of non-cash generating assets
- GRAP 23: Revenue from non-exchange transactions issued February 2008
- GRAP 24: Presentation of Budget information in Financial Statements issues November 2007
- GRAP 103: Heritage Assets issued July 2008
- GRAP 104: Financial instruments
- IGRAP:
- IFRIC 17: Distribution of Non-Cash Assets to owners effective 1 July 2009

2.5 ACCOUNTING STANDARDS THAT ARE EFFECTIVE BUT NOT IMPLEMENTED IN FULL DUE TO TRANSITIONAL PROVISIONS

The municipality has adopted the following accounting standards that are effective but has not implemented these in full due to the transitional provisions as per Directive 3: Directive on transitional provisions for high capacity municipalities and will on each reporting date during the three year period, disclose the classes of property, plant and equipment that were not recognised or measured in accordance with the Standards of GRAP on Property, Plant and Equipment at the previous reporting date, but which are then so recognised and/or measured. The draft resolution(s) have been recommended to Council by the Section 80 Finance Committee on 20 August 2009 and by the Mayoral Committee on 25 August 2009. The municipality has therefore not complied with in full with the measurement criteria of the following:

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ACCOUNTING STANDARDS THAT ARE EFFECTIVE BUT NOT IMPLEMENTED IN FULL
DUE TO TRANSITIONAL PROVISIONS (cont.)

GRAP 1: Presentation of financial statements;

GRAP 12: Inventory;

GRAP 13: Leases;

GRAP 16: Investment property;

GRAP 18: Segment reporting;

GRAP 19: Provisions, contingent liabilities and contingent assets;

GRAP 100: Non-current assets held for sale and discontinued operations;

GRAP 102: Intangible assets.

Detail of the transitional provisions is documented in the specific policies to the annual financial statements.

2.5.1 Inventories

2.5.1.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

2.5.1.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

The municipality has disclosed the full value of water stock as at year end. Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2009. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

2.5.2 Leases

The municipality intends to take full advantage of the period of the transitional provisions. Where items have not been recognised in accordance with GRAP 17, Property, Plant and equipment, as a result of transitional provisions, which take precedence over the requirements of GRAP 13. GRAP 17 will have to be complied with first or transitional provisions of this standard are to expire prior to application of GRAP 13.

- Leases are classified as finance leases:
 - when the substance of an arrangement includes the conveyance of the right to use an asset for an agreed period of time; and
 - where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Upon classification as finance leases, at least three of the following risks and rewards will be applicable:

- Transfer of ownership at the end of the lease term
- The lessee has a bargain purchase option
- The lease term covers a major part of the asset's economic life
- The present value of the minimum lease payments approximates the fair value of the asset. Payments made by a lessee that are a substantial portion of a leased asset's fair value are presumed to give rise to a finance lease.
- The presumption is that the lessee will have received substantially all the benefits of ownership because it will have paid an amount that is close to the asset's fair value.
- The leased asset is constructed to the municipality's specification and could not be used by others without significant modification,
- On cancellation of the lease, the lessor's losses associated with the cancellation, e.g. loss of rental revenue are carried by the lessee;
- Movements in the fluctuation of the fair value of the residual accrue to the lessee;

Leases (cont.)

- The lessee may upon expiration of the lease agreement, continue the lease at a rent which is substantially lower than market rent.
- Indicators that individually demonstrate that an arrangement may not, in substance, involve a lease include:
 - an entity retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement; and
 - an option is included on terms that make its exercise almost certain (e.g., a put option that is exercisable at a price sufficiently higher than the expected fair value when it becomes exercisable).

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the finance lease costs and the capital repayment expensed as they become due.

2.5.2.1 Finance leases – the Municipality as lessor

Municipal assets leased to third parties under operating lease agreements are treated as property, plant and equipment and included in the statement of financial position. These properties are depreciated over their useful lives on a basis consistent with similar municipal owned property, plant and equipment. Lease rental income from these assets is recognised as income in the statement of financial performance over the term of the lease on a straight-line basis.

2.5.2.2 Finance leases – The Municipality as lessee

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term.

2.5.2.3 Operating leases – The Municipality as lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

2.5.2.4 Operating leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance.

2.5.3 Investment property

The municipality has taken advantage of the transitional provisions as of Directive 3 and applied the requirements of the standard of GRAP 3, Accounting Policies, Changes in Accounting Estimates and Errors on the Standard on Investment Property GRAP 16, on initial adoption of the standard and has done so retrospectively.

2.5.3.1 *Initial measurement*

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property. The fair value is determined by the Municipal Valuer on a annual basis. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

2.5.3.2 *Subsequent measurement – Fair value model*

Investment property is measured using the fair value model.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

2.5.4 Property, plant and equipment

The municipality has taken advantage of the transitional provision as of Directive 3 and has not applied GRAP 17: Property, Plant and Equipment

The municipality intends to take full advantage of the period, which ends 30 June 2011, of the transitional provisions.

The municipality has applied Directive 3 of February 2008, and on initial adoption has done so retrospectively according to GRAP 3: Accounting Policies, changes in accounting estimates and errors.

Property, plant and equipment are stated at cost, less accumulated depreciation. All municipal owned and utilised property was re-valued and the market value split between land and buildings resulting from the indefinite useful life Heritage assets, which are culturally significant resources and which are shown at cost are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an unlimited life.

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Property, plant and equipment (cont.)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimated cost of dismantling the asset

Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition. Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Component	Years
Infrastructure assets	
Roads and paving	20
Pedestrian Mall	30
Electricity	50 - 60
Water	15 - 20
Sewerage	15 - 20
Housing	30
Buildings	30
Community assets	
Recreational Facilities	20 - 30
Security	5
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Other assets	

Bins and containers	5
Specialised plant and equipment	10 - 15
Other items of plant and equipment	2 - 5
Landfill sites	30 - 55
Computer software	3 - 5
Intangible assets	

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done. The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

2.5.4.1 Impairment

The testing for and impairing of any items of property, plant and equipment were not accounted for.

2.5.4.2 Disposal of property, plant and equipment

- The carrying values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds are reflected as a gain or loss in the Statement of Financial Performance.

2.5.4.3 Review of useful lives

The useful lives of assets have not been reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

2.5.4.4 Review of depreciation method

The depreciation method was not reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

2.5.4.5 Impairment of cash and non-cash generating assets

The assets in question were not assessed for possible impairment. This is in line with the accounting policy applied in the previous financial year.

2.5.4.6 Property held for sale in the ordinary course of operations

Property held for sale in the ordinary course of operations is classified as part of property, plant and equipment in terms of the exemptions contained in Gazette No. 30013 of 29 June 2007. This is in line with the accounting policy applied in the previous financial year.

2.5.5 Provisions, contingent liabilities and contingent assets

The municipality intends to take full advantage of the period of the transitional provisions. Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment and due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions..

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

The municipality intends to take full advantage of the period of the transitional provisions. On initial adoption of the Standard of GRAP on Intangible Assets, any accumulated and retained information about the costs and the future economic benefits or service potential related to intangibles assets that may have been previously expensed are now being recognised in accordance with the standard.

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rentals to others, or for administrative purposes. Intangible assets have been treated in accordance with the provisions of GRAP102, "Intangible Assets". Intangible assets are initially recorded at their cost price and subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality are amortised according to the straight-line method.

Intangible assets comprise software and servitudes, and are shown at cost, less accumulated amortisation and accumulated impairment losses.

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.

2.5.6.1 Initial measurement

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over the useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively. Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the

Initial measurement (cont.)

time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognised as permitted in terms of Gazette 30013 of 29 June 2007. All other cost incurred on intangible assets during the exemption period has been expensed. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

2.5.7 Non-current assets held for sale and discontinued operations

The municipality complied with Directive 3 of February 2008, on initial adoption of GRAP 100: Non-current Assets Held for Sale and Discontinued Operations and has done so prospectively for all non-current assets (or disposal groups), that meet the criteria to be classified as held for sale.

The municipality intends to take full advantage of the period of the transitional provisions.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the surplus or deficit for the period.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

2.5.8 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

2.5.9 Impairment of non-financial assets

Non-financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

Servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to its present value based on pre-tax discount rates that reflect current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

2.5.10 Conditional grants and receipts

2.5.10.1 Grants and receipts of capital nature

When items of property, plant and equipment are financed from government grants, a transfer is made from the Accumulated Surplus/Deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the Accumulated Surplus/Deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

- Government grants are recognised when there is reasonable assurance that the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

2.5.10.2 Grants and receipts of a revenue nature

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2010	2009
Cash on hand	9,819	200
Cash at bank	(49,968,830)	(19,686,574)
Cheques Outstanding	56,955,681	31,088,706
	6,996,670	11,403,332

Current Account

ABSA Bank Vanderbijlpark	(20,421,382)	(5,555,105)
Account No. 530000087 ABSA Bank Vanderbijlpark	(50,764,893)	(20,421,382)
Cash book balance at beginning of year		
Cash book balance at end of year		

ABSA Bank Vanderbijlpark - Salary Account	4057749059	
Cash book balance at beginning of year	568,880	2,272,316
Cash book balance at end of year	233,483	568,880
Bank statement balance at beginning of year	686,202	2,480,823
Bank statement balance at end of year	343,856	686,202

First National Bank - Traffic Fines Account	Account No. 62072363396	
Cash book balance at beginning of year	166,928	528,689
Cash book balance at end of year	562,580	166,928
Bank statement balance at beginning of year	166,928	528,689
Bank statement balance at end of year	562,580	166,928

Bank statement balance at beginning of year

Bank statement balance at end of year

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010	As at 30 June 2009
Gross Balance	Gross Balance
336,496,996	454,106,102
Refuse	Refuse
139,618,494	133,789,813
Indigent debtors control	Indigent debtors control
126,662,023	132,254,671
Clearance two year debt	Clearance two year debt
137,189	164,511
Electricity	Electricity
144,191,853	135,094,136
Sewerage	Sewerage
269,122,058	260,028,456
Water	Water
572,893,305	580,962,403
1,589,121,917	1,696,400,092
Provision for credit losses	Provision for credit losses
316,142,136	409,457,946
Refuse	Refuse
133,322,770	123,602,453
Indigent debtors control	Indigent debtors control
126,662,023	132,254,671
Clearance two year debt	Clearance two year debt
137,189	151,984
Electricity	Electricity
136,352,833	124,807,459
Sewerage	Sewerage
257,555,351	240,228,715
Water	Water
544,859,177	538,728,302
1,515,031,479	1,567,228,530
Net Balance	Net Balance
20,354,859	44,643,156
6,295,724	10,187,360
-	-
7,839,020	12,527
11,666,707	10,286,677
28,034,128	19,799,741
74,090,438	44,237,101
129,171,562	129,171,562

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

(Cont.) Ageing as at 30 June 2010			
Current (0 – 30 days)	31 - 60 Days	61 - 90 Days	91 + Days
17,454,476	6,241,095	5,442,219	307,359,206
75,070,542.00	63,002,331.00	31,014,425.00	827,257,107.00
92,525,018.10	59,243,425.50	36,456,643.82	1,134,616,313.00
Total			
1,322,841,400.42			
Water, Electricity, Sewerage, Cleansing			
336,496,995	986,344,405.00		
Total			

Ageing as at 30 June 2009

Current (0 – 30 days)	31 - 60 Days	61 - 90 Days	91 + Days
22,175,463	11,231,540	36,657,508	47,889,048
95,745,965	32,450,295	811,395,737	976,249,505
117,921,427	43,181,690	1,221,363,443	1,430,355,608
Total			
454,106,103	409,967,705		
454,106,103	409,967,705		
Rates			
976,249,505			
Water, Electricity, Sewerage, Cleansing			
Total			

Doubtful debt
Government Accounts - 0% of the total outstanding amount
Indigent Accounts - 0% of outstanding amount
Sundry Accounts - 100% between 91 and 180 days
Business/Industrial - 100% between 91 and 180 days
All other Accounts:
Outstanding Amount based on payment ratio for the last 12 months per ward
Collectable Amount based on payment ratio for the last 12 months per ward
Bad debt
Government Accounts - 0% of the total outstanding amount
Indigent Accounts - 100% of outstanding amount
Sundry Accounts - 100% between 181 and more days
Business/Industrial - 100% between 181 and more days
All other Accounts:
Outstanding Amounts between 181 and more
Balance of amounts not collected in doubtful debt and bad debt

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2010			
Gross Balances	losses	Net Balance	
11,606,705	10,157,105	1,449,600	Housing/Erven loans
60,415,718	52,870,201	7,545,517	Sundry debtors
13,112,323	-	13,112,323	Debtor suspense account
85,134,746	-	22,107,440	Total Other Debtors
As at 30 June 2009			
Gross Balances	Provision for credit losses	Net Balance	
11,682,202	11,682,202	-	Housing/Erven loans
55,673,505	51,582,685	4,090,820	Sundry debtors
28,869,766	28,869,766	-	Debtor suspense account
96,225,473	92,134,653	4,090,820	Total Other Debtors

4	INVENTORIES	2010	2009	R
	Opening balance of inventories:			
	Consumable stores - at cost	800,870	1,596,979	14,158,533
	Maintenance materials - at cost	917,761	645,282	
	Spare parts - at net realisable value	9,073,954	11,622,967	
	Obsolete stock	-	-	
	Water	238,290	293,305	
	Closing balance of inventories:			
	Consumable stores	335,571	800,870	
	Maintenance materials	804,708	917,761	
	Spare parts	20,742,615	9,073,954	
	Water	119,280	238,290	
	Progress made on implementation of GRAP 12: Inventory (municipal property for sale)			
	Regulated date of full compliance:			
	30-Jun-11			
	Progress made till 30 June 2010:			
	A complete Land Audit was performed.			
	All vacant municipal erven was listed inclusive of the value for these stands.			
	The listing is available.			
	Outstanding issues still to be addressed:			
	Accounting for municipal stands available for resale, (inventory)			
	Anticipated compliance date:			
	30-Jun-11			
5	INVESTMENTS			
	Financial Instruments			
	Fixed Deposits	48,653,485	43,221,446	
	Pledged Investments	48,653,485	43,221,446	
	Included in the fixed deposit totalling R43 221 446 held with both New Republic Bank, Standard Bank and INCA have been pledged as security of DBSA, Stanbic and INCA loans.			
	Listed securities of R55 000 forms part of the long-term investments. The current value as at 30 June 2010 is R96 094.08. The number of shares is 5 561 and the value per ordinary share is R17.28.			
	Other Deposits - Short-Term			
	Call Account Deposits	135,106,924	234,613,224	
	Total Call Investment Deposits	135,106,924	234,613,224	
	Total Investments	183,760,409	277,834,670	
6	VAT RECEIVABLE			
	VAT receivable	35,285,640	18,228,931	
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			

7 PROPERTY, PLANT AND EQUIPMENT

EMFULENI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 June 2010								
Reconciliation of carrying value	Land and buildings	Infrastructure	Heritage	Community	Leased infrastructure	Other	Total	
	R	R	R	R		R	R	
Carrying values at 01 July 2009	58,374,257	1,098,851,350	203,919	215,004,943	-	127,864,543	1,500,099,012	
Cost	56,713,525	2,268,122,792	203,919	291,586,469	-	334,927,171	2,951,553,877	
Capital under construction	1,660,731	221,251,925	-	2,100,672	-	8,502,708	233,516,036	
Revaluation	-	-	-	-	-	-	-	
Accumulated depreciation	-	(1,390,523,367)	-	(78,682,198)	-	(215,785,336)	(1,684,970,901)	
- Cost	-	(594,188,742)	-	(78,682,198)	-	(215,785,336)	(888,636,276)	
- Revaluation	-	(796,334,625)	-	-	-	-	(796,334,625)	
Acquisitions / write-ons	3,435,963	19,195,635	-	680,198	-	126,431,524	149,743,321	
Capital under construction	1,932,527	108,825,979	-	17,940,936	-	37,376,491	166,075,934	
- Current year	1,932,527	123,952,472	-	17,940,936	-	43,808,299	187,634,235	
- Capitalised	-	(15,126,493)	-	-	-	(6,431,809)	(21,558,302)	
Increases / Decreases in Revaluation	-	-	-	-	-	-	-	
Depreciation	(3,567,101)	(3,298,796)	-	(5,080,532)	-	(108,911,630)	(120,868,060)	
- Based on cost	(3,567,101)	(3,298,796)	-	(5,080,532)	-	(108,911,630)	(120,868,060)	
- Based on revaluation	-	-	-	-	-	-	-	
Carrying value of disposals / write-offs	-	-	-	(58,600)	-	(181,472)	(240,072)	
- Cost	-	-	-	(58,600)	-	(5,475,953)	(5,534,903)	
- Accumulated depreciation	-	-	-	350	-	5,294,481	5,294,831	
Impairment losses	-	-	-	-	-	-	-	
Other movements	-	-	-	-	-	-	-	
Carrying values at 30 June 2010	60,175,647	1,223,574,168	203,919	228,486,945	-	182,379,456	1,694,820,135	
Cost	60,149,489	2,287,318,427	203,919	292,207,717	-	455,882,743	3,095,762,295	
Capital under construction	3,593,259	330,077,905	-	20,041,608	-	45,879,198	399,591,970	
Revaluation	-	-	-	-	-	-	-	
Accumulated depreciation	(3,567,101)	(1,393,822,163)	-	(83,762,380)	-	(319,382,485)	(1,800,534,130)	
- Cost	(3,567,101)	(597,487,538)	-	(83,762,380)	-	(319,382,485)	(1,004,199,505)	
- Revaluation	-	(796,334,625)	-	-	-	-	(796,334,625)	

7 PROPERTY, PLANT AND EQUIPMENT (cont.)

30 June 2009

Reconciliation of carrying value	Land and buildings		Infrastructure		Heritage		Community		Leased infrastructure		Other		Total	
	R		R		R		R		R		R		R	
Carrying values at 01 July 2008														
Cost	-	1,018,067,490	-	203,919	-	214,607,931	-	21,014,899	-	153,429,266	-	1,407,323,505	-	
Capital under construction	-	2,215,154,827	-	203,919	-	287,180,315	-	57,379,409	-	294,864,384	-	2,854,772,854	-	
Revaluation	-	142,816,125	-	-	-	2,081,833	-	-	-	1,312,412	-	146,210,370	-	
Accumulated depreciation	-	(1,339,903,462)	-	-	-	(74,554,217)	-	(36,364,510)	-	(142,737,530)	-	(1,593,699,719)	-	
- Cost	-	(543,568,837)	-	-	-	(74,554,217)	-	(36,364,510)	-	(142,737,530)	-	(797,325,083)	-	
- Revaluation	-	(796,334,625)	-	-	-	-	-	-	-	-	-	(796,334,625)	-	
Acquisitions / write-ons	-	52,967,965	-	-	-	6,275,899	-	(57,379,409)	-	101,224,162	-	103,088,607	-	
Capital under construction	-	78,435,800	-	-	-	1,637,248	-	-	-	7,232,618	-	87,305,666	-	
- Current year	-	221,251,925	-	-	-	3,719,081	-	-	-	8,545,030	-	233,516,036	-	
- Capitalised	-	(142,816,125)	-	-	-	(2,081,833)	-	-	-	(1,312,412)	-	(146,210,370)	-	
Increases / Decreases in Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	(50,619,905)	-	-	-	(4,027,981)	-	36,364,510	-	(78,901,780)	-	(97,085,156)	-	
- Based on cost	-	(50,619,905)	-	-	-	(4,027,981)	-	36,364,510	-	(78,901,780)	-	(97,085,156)	-	
- Based on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Carrying value of disposals / write-offs	-	-	-	-	-	-	-	-	-	(533,620)	-	(533,620)	-	
- Cost	-	-	-	-	-	-	-	-	-	(6,307,594)	-	(6,307,594)	-	
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	5,773,974	-	5,773,974	-	
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-	
Carrying values at 30 June 2009														
Cost	-	1,098,851,350	-	203,919	-	218,493,087	-	-	-	182,550,646	-	1,500,099,002	-	
Capital under construction	-	2,268,122,792	-	203,919	-	293,456,204	-	-	-	389,770,952	-	2,954,553,867	-	
Revaluation	-	221,251,925	-	-	-	3,719,081	-	-	-	8,545,030	-	233,516,036	-	
Accumulated depreciation	-	(1,390,523,367)	-	-	-	(79,682,198)	-	-	-	(215,765,336)	-	(1,684,970,991)	-	
- Cost	-	(594,188,742)	-	-	-	(79,682,198)	-	-	-	(215,765,336)	-	(888,636,276)	-	
- Revaluation	-	(796,334,625)	-	-	-	-	-	-	-	-	-	(796,334,625)	-	

EMFULENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2010	2009
	Trade creditors	238,385,459	150,257,391
	Payments received in advance	67,243,226	90,545,268
	Retentions	28,090,844	21,231,824
	Outstanding cheques	56,955,681	31,088,706
	Accrued interest	1,136,099	471,132
	Provision for annual leave	38,201,683	30,829,155
	Provision for long-service awards	-	-
	Provision for 13th cheque	24,734,563	20,371,136
	Other creditors	30,873,083	44,459,082
	Total trade and other payables	485,720,658	389,253,696
9	CONSUMER DEPOSITS	29,399,784	27,705,880
	Electricity and Water	29,399,784	27,705,880
	Total consumer deposits	29,399,784	27,705,880
10	UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
	Unspent Conditional Grants from other spheres of Government	18,234,375	42,259,037
	Municipal infrastructure grant	764,025	792,738
	Financial management grant	70,943,249	30,241,465
	Grant libraries	4,061,492	5,417,429
	DWAF grant	1,769,744	227,432
	Health grant	209,329	1,066,625
	HIV/AIDS grant	121,483	854,253
	DACE grant	422,157	-
	EPWP grant	989,700	-
	Other Unspent Conditional Grants and Receipts:	16,987,273	38,122,569
	Other conditional receipts	114,502,827	118,981,548
	Total Unspent Conditional Grants and Receipts	114,502,827	118,981,548
	Current portion of unspent conditional grants and receipts	114,502,827	118,981,548
11	BORROWINGS		
	Local Registered Stock Loans	99,495,241	105,257,767
	Annuity Loans	99,495,241	105,257,767
	Capitalized lease liability	6,278,147	5,051,892
	Less : Current portion transferred to current liabilities	6,278,147	5,051,892
	Annuity Loans	6,278,147	5,051,892
	Capitalized lease liability	-	-
	Total borrowings	93,217,094	100,205,875
12	FINANCE LEASE LIABILITY		
	Present value of minimum lease payments	72,092,273	51,285,534
	Present value of minimum lease payments	63,453,574	18,455,534
	Amounts payable under finance leases	135,545,847	69,741,140
	Within one year	63,453,574	18,455,534
	Within two to five years	72,092,273	51,285,534
	Less: Amount due for settlement within 12 months (current portion)	72,092,273	51,285,534

TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

2010

2009

**EMPULENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Progress made on implementation of GRAP 13 : Leases

Requiated date of full compliance:

30-Jun-11

Progress made till 30 June 2010:

Where possible all lease agreements were collected and placed on file. A few of the agreements for the old leases is still outstanding.

The split between finance leases and operating leases are completed.

The Lease Register is updated.

Finance leases previously acknowledged as operating leases were accounted for as finance leases.

All operating leases were straight lined.

Outstanding issues still to be addressed:

The outstanding lease agreements for the old leases

Full compliance with GRAP 13

Anticipated compliance date:

30-Jun-11

13 NON-CURRENT PROVISIONS

	2010	2009
Provision for long-service awards	1,607,688	1,607,688
Total Non-Current Provisions	<u>1,607,688</u>	<u>1,607,688</u>

14 RESERVES

Capitalization reserve	10,839,851	12,600,765
Self insurance fund	8,058,817	-
Government grant reserve	682,662,374	611,161,821
Revaluation reserve	456,163,745	430,435,802
Total Reserves	<u>1,156,924,787</u>	<u>1,054,198,388</u>

15 PROPERTY RATES

Actual		
Residential	94,741,073	127,771,568
Commercial	116,359,403	106,079,775
Government	12,650,562	12,481,264
Agriculture	20,795,965	15,898,223
Other	447,622	44,336
Total Assessment Rates	<u>244,994,625</u>	<u>262,075,166</u>

Property Valuations		
Residential	42,377,960,003	1,512,767,046
Commercial	9,715,407,000	788,627,478
Government	1,086,962,000	126,419,030
Agriculture	876,431,000	412,496,352
Other	3,380,580,000	568,175
Total Property Valuations	<u>57,437,340,003</u>	<u>2,840,877,081</u>

16 SERVICE CHARGES

Sewerage and sanitation Charges	167,871,445	157,342,103
Sale of Electricity	924,376,575	727,808,938
Sale of Water	364,510,416	308,958,778
Refuse removal	83,197,715	76,179,117
Total Service Charges	<u>1,539,956,150</u>	<u>1,270,288,936</u>

17 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	8,140,605	6,728,584
Rental of equipment	266,850	321,619
Total	<u>8,407,455</u>	<u>7,050,203</u>

18	FINANCE INCOME	2010	2009
	Bank	17,321,820	39,308,894
	Finance income on arrears	66,529,283	148,146,836
	Total finance income	83,851,103	187,455,730
19	TRAFFIC FINES		
	Traffic fines issued but not yet recovered at year end.	8,138,944	30,087,799
20	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants		
	Equitable Share	398,256,491	307,071,663
	Department of Water Affairs and Forestry	10,957,688	2,719,821
	Municipal Infrastructure Grant	61,634,788	-
	HIV/AIDS Grant	1,511,013	1,440,037
	Finance Management Grant	778,714	618,812
	Health Grant	857,296	1,353,394
	Restructuring Grant	12,007,089	29,018,417
	Regional Sewer Scheme	19,696,518	13,386,767
	Dry Sanitation Grant	-	-
	Bottle ke Booth	11,262	80,484
	ICT Programme Grant	2,037,936	2,560,871
	Housing Grant	-	10,600,000
	Intern Grant	9,980	131,020
	Sport and recreation	-	21,484
	National Electrification Programme	466,386	3,967,312
	Projects funded ex district municipality	1,596,354	9,960
	Maplankeg Project	-	385,555
	Other grants	1,939,829	795,825
	Total Government Grants	511,760,343	374,161,417
	Provincial Subsidies		
	Health Subsidy	38,257,413	33,196,750
	Total Provincial Subsidies	38,257,413	33,196,750
	Total Government Grants & Subsidies Received and Allocated as Income	550,017,756	407,358,168
	Transferred from Conditional Grant Creditors (Appendix G)		
	Total Conditional Grants and Subsidies reflected on the Statement of Financial Performance	550,017,756	407,358,168
	Changes in levels of Government Grants : None		
20.1	Equitable Share		
	In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income. Currently the municipality provides 6 kilolitre of water free to residential households in informal settlements. All registered indigents qualify for a subsidy to the maximum of (2009:R 336) per month.		
20.2	Department of Water Affairs and Forestry		
	Opening balance	227,432	219,253
	Current year receipts	12,500,000	2,728,000
	Conditions met - Transferred to income	(10,957,688)	(2,719,821)
	Conditions still to be met - transferred to liabilities	1,769,744	227,432
	This grant is used for water demand management. No funds have been withheld by the grantor.		

20.3	Municipal Infrastructure Grant		
		2010	2009
		R	R
		42,259,037.28	11,911,038
	Opening balance		
	Current year receipts	90,319,000.00	30,348,000
	Conditions met - Transferred to income	(61,975,120)	3,717,658
	Conditions still to be met - Transferred to liabilities	70,602,917	45,976,696
		<u>70,602,917</u>	<u>45,976,696</u>
	This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor.		
20.4	HIV/AIDS Grant		
		854,254	1,186,285
	Opening balance		
	Current year receipts	778,242	1,108,000
	Conditions met - Transferred to income	(1,511,013)	(1,440,031)
	Conditions still to be met - Transferred to liabilities	121,483	854,254
		<u>121,483</u>	<u>854,254</u>
	This grant is used for various purposes depending on the business plan. No funds have been held by the grantor.		
20.5	Financial Management Grant		
		792,738	911,550
	Opening balance		
	Current year receipts	750,000	500,000
	Conditions met - Transferred to income	(778,714)	(618,812)
	Conditions still to be met - Transferred to liabilities	764,024	792,738
		<u>764,024</u>	<u>792,738</u>
	This grant is used for internship programme. No funds have been held by the grantor.		
20.6	Health Grant		
		1,066,625	2,420,019
	Opening balance		
	Current year receipts	-	-
	Conditions met - Transferred to income	(857,296)	(1,353,394)
	Conditions still to be met - Transferred to liabilities	209,329	1,066,625
		<u>209,329</u>	<u>1,066,625</u>
	This grant is used to improve Primary Health Care Facilities. No funds have been held by the grantor.		
20.7	Restructuring Grant		
		30,241,465	59,259,882
	Opening balance		
	Current year receipts	-	-
	Conditions met - Transferred to income	(12,007,089)	(29,018,417)
	Conditions still to be met - Transferred to liabilities	18,234,376	30,241,466
		<u>18,234,376</u>	<u>30,241,466</u>
	This grant is used for the meeting of particular financial and institutional improvement targets. Targeting mainly service delivery and local economic development. No funds have been held by the grantor.		
20.8	Regional Sewer Scheme		
		29,340,901	42,727,668
	Opening balance		
	Current year receipts	-	-
	Conditions met - Transferred to income	(19,696,609)	(13,386,767)
	Conditions still to be met - Transferred to liabilities	9,644,292	29,340,901
		<u>9,644,292</u>	<u>29,340,901</u>
	This grant is used for the sewer spillage problems of the Vaal river areas. No funds have been held by the grantor.		

2009	2010
R	R
261,034	261,034
-	-
-	-
261,034	261,034
Opening balance	
Current year receipts	
Conditions met - Transferred to income	
Conditions still to be met - transferred to liabilities	
755,033	752,661
8,890	(11,282)
184,435	755,033
(80,484)	752,661
755,033	755,033

20.10 Bontle Ke Botho

This grant is used for the supply of bulk water. No funds have been held by the grantor.

The MEC Agriculture conservation and environment initiated a clean and green programme based on the Johannesburg plan of implementation. Where the municipalities, wards and schools are encouraged to keep the nearest places clean, this is done through a campaign named Bontle Ke Botho which rewards the best municipality. No funds have been held by the grantor.

20.11 Intern Grant

9,980	-
Opening balance	
Current year receipts	
Conditions met - Transferred to income	
Conditions still to be met - transferred to liabilities	
141,000	(9,980)
(131,020)	-
9,980	-

As part of institutional support to Local Municipalities to fund the appointment and training of one Financial Municipal Intern. No funds have been held by the grantor.

20.12 Sport and recreation

978,516	2,016,896
Opening balance	
Current year receipts	
Conditions met - Transferred to income	
Conditions still to be met - transferred to liabilities	
1,000,000	(21,484)
-	978,516

Funds are used for upgrading the stadium around Emfuleni. No funds have been held by the grantor.

20.13 National Electrification Programme

4,106,222	1,138,910
Opening balance	
Current year receipts	
Conditions met - Transferred to income	
Conditions still to be met - transferred to liabilities	
1,000,000	(465,385)
(3,967,312)	673,525
1,138,910	1,138,910

To implement the integrated national electrification programme to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. No funds have been held by the grantor.

20.14 Projects funded ex District Municipality

4,310,441	4,300,481
Opening balance	
Current year receipts	
Conditions met - Transferred to income	
Conditions still to be met - transferred to liabilities	
-	(9,960)
4,300,481	2,704,127
4,300,481	4,300,481

Funds are used for upgrading of cemeteries. No funds have been held by the grantor.

20.9 Dry Sanitation Grant

2015 Maplakeng project	2010	2009
	R	R

Opening balance	114,445	-
Current year receipts	-	500,000
Conditions met - Transferred to income	-	(385,555)
Conditions still to be met - transferred to liabilities	114,445	114,445
Funds allocated for installation of a link line and standpipes to provide basic water in Maplakeng. No funds have been held by the grantor.		

20.16 Municipal Systems Improvement Grant

Opening balance	37,296	-
Current year receipts	500,000	500,000
Conditions met - Transferred to income	(511,361)	(385,555)
Conditions still to be met - transferred to liabilities	25,935	114,445
Funds used to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act, and other local Government policy and legislation. The focus been MPRAs, effective implementation of ward participants and improvement to fixed asset registers. No funds have been held by the grantor.		

20.17 Library Grant

Opening balance	5,417,429	3,296,300
Current year receipts	682,000	4,682,000
Conditions met - Transferred to income	(2,037,936)	(2,560,871)
Conditions still to be met - transferred to liabilities	4,061,492	5,417,429
Funds used to update community, library collections, upgrade information and communication technology in libraries and implement reading programmes.		

20.18 Social Development Grant

Opening balance	500,000	-
Current year receipts	1,000,000	500,000
Conditions met - Transferred to income	(1,391,706)	-
Conditions still to be met - transferred to liabilities	108,294	500,000
Funds used to construct two early childhood development centres (Bophelong and Boppatong). No funds have been held by the grantor.		

20.19 MSIG (Sedibeng)

Opening balance	50,000	-
Current year receipts	-	50,000
Conditions met - Transferred to income	-	-
Conditions still to be met - transferred to liabilities	50,000	50,000
20.20 DACE Grant		

Opening balance	-	-
Current year receipts	458,918	-
Conditions met - Transferred to income	(36,781)	-
Conditions still to be met - transferred to liabilities	422,137	-
Funds used for the implementation of the Emuleni alien vegetation eradication project		
No funds have been held by the grantor.		

**EMFULINI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

2021 EPWP	2010	2009
	R	R
Opening balance	-	-
Current year receipts	(989,700)	-
Conditions met - Transferred to income	-	-
Conditions still to be met - Transferred to liabilities	(989,700)	-
Reward received for implementing the EPWP as per the guidelines. No Funds have been held for the grantor.	(989,700)	-

21 OTHER INCOME		
Tariff charges levied: Refuse dumping landfill site	12,525,321	14,086,897
Tariff charges levied: Reconnection fees	15,791,924	11,782,131
Unallocated income	38,869,123	28,587,729
Sundry income	45,608,208	52,225,272
Total	112,794,576	106,682,030
22 GAIN ON SALE OF ASSETS		
Property, plant and equipment	2,890,463	4,170,817
Total gain on sale of assets	2,890,463	4,170,817
23 EMPLOYEE RELATED COSTS		
Salaries and wages	316,528,079	264,908,167
Contributions for UIF, pensions and medical aids	91,810,756	76,414,964
Employee related costs - contributions to group insurance	15,483,823	9,112,904
Travel, motor car, accommodation and other allowances	35,169,862	29,908,862
Housing benefits and allowances	3,132,036	4,283,270
Overtime payments	48,122,804	35,589,153
Performance and other bonuses	23,406,104	19,789,664
Long-service awards	114,609	920,631
Industrial council levy	114,609	102,960
Provision for leave	11,735,973	4,983,875
Total employee related costs	545,504,046	445,894,440

23.1 Remuneration of the Municipal Manager		
Annual remuneration	373,740	327,660
Travel, motor car, accommodation, subsistence and other allowances	373,282	503,479
Contributions to UIF, medical and pension funds	747,022	74,833
Total	747,022	905,972

23.2 Remuneration of individual Deputy Municipal Managers (DMM)		
Chief Financial Officer	972,005	600,020
DMM Corporate Services	721,535	135,000
DMM Basic Services	171,536	149,328
Total	1,037,400	784,348

23.3 Remuneration of individual Deputy Municipal Managers (DMM)		
Chief Financial Officer	473,433	260,671
DMM Corporate Services	225,222	260,671
DMM Basic Services	58,635	65,700
Total	681,921	48,000

Chief Audit Executive	904,011	541,231
DMM Economic Dev. & Planning	186,400	183,668
DMM Public Safety	2,995	236,997
Total	1,093,406	971,896

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

Annual remuneration
Travel, motor car, accommodation, subsistence and other allowances
Contributions to UIF, medical and pension funds
Total

EMFULENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

23.3 Remuneration of individual Deputy Municipal Managers (DMM)(cont.)

	2009	2010	2009
Annual remuneration	-	759,380	280,075
Travel, motor car, accommodation, subsistence and other allowances	-	198,744	64,536
Contributions to UIF, medical and pension funds	-	-	48,000
Total	-	958,124	392,611

24	REMUNERATION OF COUNCILLORS	2010	2009
Executive Mayor	716,670		602,200
Speaker	424,532		390,735
Mayoral Committee Members	5,883,502		5,346,791
Councillors	14,612,806		12,510,495
Councillors' pension and medical contribution	21,637,511		20,149,859
Total Councillors' remuneration			

25	BULK PURCHASES	2010	2009
Electricity	710,306,472		514,905,841
Water	284,611,111		264,587,562
Total Bulk Purchases	994,917,583		779,473,403

26	GENERAL EXPENSES - OTHER	2010	2009
Audit fees	5,474,407		4,553,814
Bank charges	2,893,138		4,315,694
Fuel and oil	15,145,373		18,276,593
Insurance	23,062,164		17,565,372
Management fees	8,070,599		5,349,873
Marketing and promotions	3,526,962		3,446,137
Postage	3,523,535		2,395,535
Special projects	31,964,864		40,604,262
Stocks and material	2,774,455		2,118,143
Other	171,105,310		215,086,456
Total general expenses - other	267,540,807		313,711,679

27	CASH GENERATED BY OPERATIONS	2010	2009
Net Surplus for the year	(93,745,948)		(261,371,724)
Adjustment for:			
Depreciation and amortisation	120,858,061		97,085,156
Gain on disposal of property, plant and equipment	(2,890,463)		(4,170,817)
Contributions to Provisions	416,087,060		679,766,212
Contributions to Credit Losses			4,983,875
Investment income	(17,321,820)		(39,308,894)
Interest earned - outstanding debtors	(66,529,283)		(148,146,836)
Interest paid	30,736,586		26,265,074
Dividends received	(14,280)		(4,906)
Correction of FY error	19,166,518		(10,473,445)

27	CASH GENERATED BY OPERATIONS(cont)	2010	2009
	Operating Surplus Before Working Capital Changes:	406,346,431	344,623,697
	(increase)/decrease in inventories	(10,971,299)	3,127,658
	(increase)/decrease in trade receivables	(361,005,937)	(458,174,400)
	(increase)/decrease in other receivables	(18,016,620)	21,434,835
	(increase)/decrease in VAT receivable	(17,056,709)	3,494,016
	(increase)/(decrease) in conditional grants and receipts	(4,478,721)	(14,063,320)
	(increase)/(decrease) in trade payables	96,467,262	44,514,806
	increase current portion - Finance lease liability	44,998,040	18,455,534
	increase(decrease) in consumer deposits	1,693,904	1,499,419
	(Decrease)/ increase in current portion borrowing	1,226,254	(779,382)
	Error in prior year's cashflow	-	1,594,852
	Increase/decrease in reserves	8,058,817	1,594,852
	Cash (utilised in) / generated by operations	147,261,422	(34,272,286)
		<u>142,103,594</u>	<u>(34,272,286)</u>

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:
Bank balances and cash
Call investment deposits
Total Cash and Cash Equivalents

6,996,670	135,106,924
234,613,224	246,016,556

28 CASH AND CASH EQUIVALENTS

During the 2009/2010 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods: The comparative amounts have been restated as follows:

29.1.1 Transactions affecting the Statement of Changes in Net Assets: Accum. Surplus: 2007/2008

Interest on investment overstated	(22,951)
Insurance expenditure written off	(576,393)
Straight lining of operating leases payments	(3,552,205)
Capitalization of cements	806,060
Landfill site dumping levied on wrong financial year	954,433
Correction of expenditure done prior year	130,151
Canceled cheques of previous years expenses	1,650
Claims for July 2008 to June 2009	28,366,215
Payments don on vote should be sundry debt account	(6,939,342)
Restated balance	19,166,608

30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

30.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	135,819	132,557
Fruitless and wasteful expenditure current year.	62,567	3,262
Condoned or written off by Council		
To be recovered – contingent asset (see note)		
Fruitless and wasteful expenditure awaiting condemnation	198,386	135,819

The V.A.T for the period March 201 was transferred to SARS late due to a technical problem with cash focus. The original penalties incurred was R105 573.74. Only half of it was waived by SARS after an application was made to SARS to waive the penalty.

31	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT	2010	2009
31.1	PAYE and ULC		

31.2	Councillor's Arrear Consumer Accounts		
	Opening Balance	4,818,833	3,707,826
	Council Subscriptions	70,294,427	53,610,778
	Amount Paid - Current Year	(64,036,152)	(48,791,945)
	Amount Paid - Previous Years	(4,818,833)	(3,707,826)
	Balance unpaid (included in payables)	6,259,275	4,818,833

The following Councillors had arrear accounts:

31.3	Electricity and Water Distribution losses		
	as at 30 June 2010		
	MDM Masodisa	0	36,636
	NS Pooe	40,466	34,744
	P Zondo	19,209	26,659
	BP Maseko	27,720	26,842
	KJM Ranahe	17,198	24,842
	NG Hlongwane	7,439	-
	FMA Mncube	361	7,859
	TS Moepradra	84	1,367
	TJS Thabane	3,063	747
	KA Mogozi	5,629	
	MS Kolisang	112,467	159,696
	Total Councillor Arrear Consumer Accounts		

Distribution losses relate to unaccounted electricity and water. These losses mainly arise from illegal connections to both water and electricity networks, errors in billing and bridging of meters by consumers. The total percentage of distribution losses for water is 44% (43% 08/09) and electricity is 77% (77% 08/09).

32	CAPITAL COMMITMENTS		
	The Council has committed itself to the following capital projects:		
	Infrastructure	4,433,417	3,221,380
	Community assets	1,135,893	61,034
	Other assets	198,039	1,881,913
	Office equipment	66,188	
	This expenditure will be financed from:	5,833,537	5,164,327
	Grants and subsidies	881,219	1,745,569
	Own funds	4,952,318	3,418,758
	Total	5,833,537	5,164,327

CONTINGENT LIABILITY (Eskom)
Upon incorporation on 1 January 1995, the former Town Council of Sebokeng was integrated into the now disestablished Veroeniging/Kopanong Metropolitan Local Council, Sebokeng Town Council had a liability of approximately R300 million towards Eskom. However Emfuleni Local Municipality is of the opinion that Eskom took over certain electricity networks in settlement of the liability.

33	CONTINGENCIES		
	Contingent assets	183,060,288	
	Contingent liabilities	117,399,999	

Assets taken over by Eskom in terms of the above mentioned revaluation

34 IN-KIND DONATIONS AND ASSISTANCE

The municipality received assistance in kind from SAICA that seconded Finance Advisors.

35 RELATED PARTIES

Section 57 Managers:
Short term employee benefits (Refer to note 23)

Members of Council:

Mayor- S.A. Mshudulu

Speaker- N.G. Hlongwane

Mayor- S.E. Pitsa

Mayor- T. J. S. Thabane

Mayor- T. S. Molepadi

Mayor- D. Malisa

Mayor- N.R. Thulo

Mayor- M. T. Ronyuza

Mayor- K. J. M. Rana

Mayor- F. Vundisa

Mayor- M. R. Letsoseny

Mayor- M.P. Muir

Purchase of property: Metsi-A-Lekoa building

R 4,000,000

Quantity	
40	R 433,310
	Total Cost (incl. travelling & accommodation expenses)

EMFULENI LOCAL MUNICIPALITY
SCHEDULE OF LONG-TERM LIABILITIES AS AT 30 JUNE 2010
APPENDIX A

Type	Number	Redeemable	Balance at 30 Jun 2009	Received during the period	Redeemed during the period	Balance at 30 June 2010
ANNUITY LOANS						
D.B.S.A. Loan (11.81%)	101731	31.12.2012	11,073,375		2,719,114	8,354,261
D.B.S.A. Loan (15.74%)	13554/101	30.09.2020	23,301,482		811,648	22,489,834
D.B.S.A. Loan at 3 month reset	13959/101	31.03.2017	15,433,739		1,929,217	13,504,522
D.B.S.A. Loan (13.56%)	12624/101	30.06.2012	134,496		39,110	95,386
D.B.S.A. Loan (13.56%)	12625/101	30.06.2014	89,770		13,584	76,186
D.B.S.A. Loan (16.67%)	13012/101	31.12.2011	45,086		15,909	29,177
D.B.S.A. Loan (15.26%)	13014/101	31.12.2012	993,505		233,943	759,562
Inca (17.20%)	VERE-00-0002	30.06.2011	19,900,000		-	19,900,000
Inca (17%)	VERE-00-0001	30.06.2011	34,286,314		-	34,286,314
Total annuity loans			105,257,767	-	5,762,525	99,495,242
CAPITALISED LEASES						
Man Financial Services		10.11.2012	3,380,178	28,135,050	6,471,491	25,043,737
Mercedes Benz Finance (prime - 1%)		10.04.2010	5,263,382	17,875,200	6,804,134	16,334,448
Amasondo Fleet Management		18.07.2011	8,707,314	-	1,802,294	6,905,020
Fleet Africa		31.01.2014	36,703,470	-	12,776,669	23,926,801
Debis Fleet Management		04.09.2011	6,134,907	-	2,070,998	4,063,909
Vaal Toyota		28.07.2013	9,551,890	49,755,039	13,915,252	45,391,677
Standard Bank Vehicle Finance		01.12.2013		4,292,041	300,172	3,991,869
Scifm		01.12.2012		11,789,064	1,900,676	9,888,388
Total long term lease liabilities			69,741,140	111,846,394	46,041,686	135,545,848
Total external loans			174,998,908	111,846,394	51,804,211	235,041,091

APPENDIX B

[illegible]

APPENDIX B

	Cost/Revaluation					Accumulated depreciation				
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value
INFRASTRUCTURE										
Mini dumps	7,348,719	-	7,186,857	-	14,534,575	4,630,471	478,780	-	5,109,251	9,425,324
Power stations	186,239,564	5,435,798	13,651,425	-	205,326,788	120,401,511	(8,671,774)	-	111,729,737	93,597,061
Transformer blocks	174,501,067	7,555,263	8,493,810	-	190,556,160	113,804,024	(7,918,960)	-	105,885,061	84,671,099
Meters	15,806,093	-	25,800	-	15,831,893	7,886,093	3,706,667	-	11,592,759	4,239,133
Local control equipment	665,720,505	61,750	2,220,076	-	668,002,331	482,802,012	(29,258,829)	-	453,543,184	214,459,147
Switchgear equipment	48,622,526	174,039	15,209,381	-	64,006,405	35,553,629	(6,978,234)	-	28,575,394	35,000,611
Supply / reticulation	201,189,036	189,298	3,601,014	-	204,970,348	176,123,697	4,151,539	-	180,275,227	24,686,121
Mains	208,589,190	-	3,967,231	-	212,556,421	106,188,376	22,331,162	-	128,519,538	84,036,883
Motorways	308,943,741	374,474	49,371,776	-	358,689,991	180,567,680	7,459,572	-	188,027,252	170,662,799
Other roads	7,205,636	-	1,702,924	-	8,908,561	7,205,636	-	-	7,205,636	1,702,924
Traffic lights	980,124	183,097	134,745	-	1,217,966	799,006	38,146	-	837,152	360,814
Street lighting	22,132,404	-	37,020	-	22,169,424	20,243,096	1,598,809	-	21,841,905	397,518
Storm water drains	56,356,493	-	12,599,633	-	68,956,116	36,107,650	1,579,341	-	37,686,992	31,289,124
Bridges, subways & culverts	463,725	-	-	-	463,725	463,725	-	-	463,725	-
Car parks	4,182,502	17,288	44,310	-	4,244,100	3,699,646	5,833	-	4,353,476	538,621
Bus terminals	797,427	-	-	-	797,427	797,427	-	-	797,427	-
Taxi rank	17,601,062	-	-	-	17,601,062	73,338	880,054	-	953,392	16,647,690
Sewers	83,563,062	7,542,233	47,593,548	-	138,688,863	47,043,773	2,714,934	-	49,758,704	88,930,158
Outfall sewers	3,796,666	-	-	-	3,796,666	1,976,718	192,096	-	2,168,814	1,627,872
Purification works	107,863,033	4,108,171	28,704,488	-	140,705,671	23,919,333	5,938,908	-	29,858,241	110,847,431
Sewer pumps	260,377	-	-	-	260,377	53,160	13,019	-	66,179	194,198
Meters	5,008,733	196,212	945,892	-	6,150,747	1,486,710	210,593	-	1,697,303	4,473,444
Mains	7,481,243	-	18,308,626	-	25,789,868	1,181,141	374,062	-	1,555,203	24,234,665
Supply / reticulation	125,977,268	698,134	105,821,900	-	232,497,292	67,717,690	4,041,539	-	65,759,218	166,739,074
Reservoirs, tanks	231,381	-	2,982,220	-	3,213,601	11,253	11,551	-	22,804	3,190,797
Subtotal	2,260,782,617	26,536,817	322,607,584	-	2,609,926,018	1,434,706,781	3,298,796	-	1,438,005,578	1,171,920,440
Seal/leak assets	-	-	-	-	-	-	-	-	-	-
Subtotal	2,260,782,617	26,536,817	322,607,584	-	2,609,926,018	1,434,706,781	3,298,796	-	1,438,005,578	1,171,920,440

**EMULEN LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
APPENDIX B**

	Cost/Revaluation				Accumulated depreciation					Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
OTHER ASSETS										
Caravans/parks	3,285,632	-	-	-	3,285,632	774,777	2,368	-	777,146	
Cinemas	4,842	-	-	-	4,842	-	-	-	4,842	
Hostels - public/tourist	38,611,450	-	-	-	38,611,450	8,697,086	6,640,260	-	15,337,326	
Hostels - workers	5,706,937	-	-	-	5,706,937	5,706,937	-	-	5,706,937	
Housing schemes	28,879,334	-	-	-	28,879,334	21,474,496	480,862	-	21,955,356	
Markets	3,289,370	-	-	-	3,289,370	3,289,370	-	-	3,289,370	
Old age homes	56,227	-	-	-	56,227	56,227	-	-	56,227	
Workshops/depots	5,014,630	-	-	-	5,014,630	3,859,630	-	-	3,859,630	
Household refuse bins	73,340	36,276	-	-	109,616	50,956	6,636	-	59,592	
Bulk containers	78,000	240,000	131,985	-	449,985	39,893	-	-	79,225	
Cable station	-	-	385,009	-	385,009	-	-	-	-	
Fire equipment	454,256	-	-	-	454,256	313,876	87,580	-	401,457	
Ambulances	517,722	-	-	-	517,722	420,221	515,987	-	515,208	
Fire hoses	412,905	-	-	-	412,905	242,009	58,593	-	300,602	
Chairs	5,098,419	565,090	-	(97,161)	5,566,347	3,805,930	286,288	(92,491)	3,999,727	
Tables / desks	4,235,722	1,385,734	-	(51,097)	5,569,358	2,890,431	332,961	(49,563)	3,173,829	
Cabinets / cupboards	2,723,878	390,006	-	(26,383)	3,087,500	1,914,803	197,055	(26,383)	2,085,474	
Miscellaneous	22,944,649	6,532,300	37,174,820	(118,323)	66,533,247	11,861,045	3,630,280	(59,902)	15,431,403	
Fire engines	23,782,144	-	-	-	23,782,144	11,459,623	4,480,350	-	15,939,972	
Motor vehicles	13,478,878	18,316,224	-	(758,479)	31,036,623	7,760,327	6,558,068	(729,041)	13,589,354	
Motor cycles	1,589,521	-	-	-	1,589,521	796,487	295,147	-	1,091,634	
Trucks / tractors	80,742,778	80,066,631	-	(2,058,952)	163,605,382	48,802,957	28,988,950	(2,008,920)	75,404,967	
Computer hardware	18,071,853	1,684,439	4,854,905	(1,667,216)	16,089,076	10,827,682	2,309,664	(1,656,813)	11,480,533	
Computer software	16,556,973	2,578,649	-	-	21,239,014	5,703,892	3,549,095	-	11,977,037	
Office machines	2,917,317	116,459	-	(51,087)	2,982,709	986,851	444,112	(48,089)	1,382,894	
Air conditioners	5,198,658	339,779	-	-	5,538,437	399,863	241,301	-	641,164	
Graders	1,217,280	272,387	203,579	(114)	1,594,069	4,059,977	267,522	(114)	4,347,385	
Trailers	4,600,464	-	-	-	4,600,464	3,897,654	244,037	-	4,141,691	
Laminators	3,283,740	23,017	-	-	3,293,740	137,239	1,097,913	-	1,235,153	
Compressors	3,145,830	-	-	-	3,145,830	1,548,797	328,721	-	1,877,519	
Laboratory equipment	413,747	-	-	-	413,747	235,100	9,245	-	244,345	
Radio equipment	732,260	-	-	-	732,260	343,051	146,648	-	458,700	
Telecommunication equipment	1,254,984	167,254	-	-	1,422,138	772,873	162,090	-	504,914	
General	2,213,358	656,608	453,325	-	3,323,490	2,180,518	115,344	-	2,205,853	
Laines	19,677,516	13,089,673	561,683	(169,553)	33,159,317	5,665,693	2,469,191	(147,587)	7,987,303	
Milling equipment	1,100	-	-	-	1,100	1,100	-	-	1,100	
	5,047	-	-	-	5,047	1,955	769	-	2,745	
			</							

EMFULENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
APPENDIX B

OTHER ASSETS	Cost/Revaluation					Accumulated depreciation				
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value
Backhoe	3,315,066	-	-	-	3,315,066	2,389,048	238,342	-	2,625,390	689,676
Front end loader	9,721,764	-	-	(477,605)	9,244,159	5,160,310	1,263,129	(477,605)	5,945,834	3,298,325
Demolition plant	18,503	-	-	-	18,503	8,635	3,701	-	12,335	6,168
Rubber Duck	190,213	-	-	-	190,213	50,723	38,043	-	88,766	101,447
Sms & Auto	350	-	-	-	350	350	-	-	350	-
Subtotal	333,736,566	126,431,524	45,869,686	(5,475,953)	500,551,816	178,602,596	64,728,125	(5,294,481)	238,036,241	262,515,575
Grand total	3,131,399,121	157,083,503	392,121,649	(5,534,903)	3,675,069,371	1,752,012,644	76,674,555	(5,294,831)	1,823,392,368	1,951,667,002

EMPULENI LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
APPENDIX C

	Cost					Accumulated depreciation				
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying value
Executive and Council	233,970,726	522,183	33,940,889	(163,603)	268,270,195	41,091,703	12,017,410	(158,688)	52,950,424	215,319,771
Finance and Admin	26,539,933	4,316,619	1,544,445	(1,071,417)	31,329,580	8,556,294	3,417,974	(1,050,631)	10,923,636	20,405,943
Planning and Development	1,592,283	269,254		(48,097)	1,813,440	579,252	218,304	(48,097)	749,459	1,063,981
Health	7,655,517	2,148,642	2,279,197	(93,835)	11,989,521	3,911,290	637,557	(75,096)	4,473,749	7,515,773
Community and Social services	-				-	-			-	-
Housing	60,565,484	316,282	2,638	(49,602)	60,834,783	26,266,329	6,968,666	(49,602)	33,187,594	27,647,189
Public safety	22,015,715	2,233,217	9,811,101	(77,824)	33,982,209	20,362,767	2,233,881	(71,754)	22,524,894	11,457,275
Sport and recreation	40,597,797	621,321	2,235,147	(33,217)	43,421,047	25,903,887	470,923	(33,217)	26,341,593	17,079,454
Environmental protection	-				-				-	-
Waste management	228,141,911	382,870	78,886,125	(83,344)	305,307,562	17,413,134	8,003,322	(62,063)	25,354,393	279,953,169
Road transport	13,150,683	101,329,110	1,308,982	(3,358,477)	112,430,199	21,567,654	45,596,380	(3,276,521)	63,877,513	48,552,686
Water	208,090,484	24,828,836	189,846,315	(41,228)	422,824,407	117,850,346	13,579,247	(34,692)	131,384,902	291,429,505
Electricity	1,572,613,289	17,227,370	61,412,982	(129,349)	1,651,124,272	1,867,072,131	(19,608,511)	(116,774)	1,047,346,847	603,777,426
Other	772,136,201	2,787,758	10,873,828	(384,910)	785,412,876	334,394,116	3,149,200	(317,693)	337,225,622	448,187,254
	3,185,069,903	157,083,503	392,121,649	(5,534,903)	3,728,740,152	1,684,970,902	76,674,655	(5,294,831)	1,756,350,726	1,972,389,426

EMFULENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX D

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
310,981,443	58,952,911	252,028,531	Executive and Council	280,809,452	83,547,987	177,262,365
485,189,907	326,622,089	158,567,809	Finance and Admin	583,424,153	311,980,531	271,463,622
1,164,233	20,581,712	(19,417,478)	Planning and Development	1,356,700	14,697,255	(13,340,555)
36,229,754	36,985,716	(756,962)	Health	40,851,881	47,581,909	(6,730,019)
5,882	24,230,233	(24,224,351)	Community and Social services	5,549,856	43,104,741	(37,554,885)
4,659,809	12,931,741	(8,271,932)	Housing	5,061,135	15,251,518	(9,590,383)
30,590,148	79,160,721	(48,570,574)	Public safety	8,866,358	94,599,770	(85,533,412)
593,542	23,524,594	(22,931,052)	Sport and recreation	469,575	31,179,904	(30,710,229)
65,053	5,692,008	(5,616,956)	Environmental protection	48,940	8,167,192	(8,118,252)
82,481,603	72,145,698	10,335,905	Waste management	89,732,059	331,258,293	(241,526,234)
	49,809,643	(49,809,643)	Road transport		35,279,963	(55,279,963)
373,419,193	983,138,921	(609,719,728)	Water	401,489,522	328,710,327	74,759,195
756,073,425	697,717,387	149,356,038	Electricity	955,264,084	817,616,356	137,647,728
202,204,321	243,546,654	(41,342,333)	Other	197,769,591	463,866,517	(266,096,926)
2,283,658,312	2,545,030,038	(261,371,726)	Sub total	2,551,073,406	2,644,819,354	(93,745,948)
			Less: Inter-departmental charges			
2,283,658,312	2,545,030,038	(261,371,726)	Total	2,551,073,406	2,644,819,354	(93,745,948)

EMFULENI LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET: (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX E1

Revenue	Actual 2010	Budget 2010	Variance 2010	% Variance
Property rates	244,994,625	298,860,155	(53,865,530)	-18%
Service charges	1,539,956,150	1,663,636,176	(123,680,026)	-7%
Rental of facilities and equipment	8,407,455	11,067,743	(2,660,288)	-24%
Interest earned - external investments	17,321,820	17,000,000	321,820	2%
Interest earned - outstanding debtors	66,529,283	64,119,228	2,410,055	4%
Dividends received	14,280	-	14,280	100%
Fines	8,138,944	21,455,010	(13,316,066)	-62%
Licences and permits	8,054	-	8,054	100%
Government grants and subsidies	550,017,756	615,027,849	(65,010,093)	-11%
Other income	112,794,576	97,899,449	14,895,127	15%
Gains on disposal of property, plant and equipment	2,890,463	-	2,890,463	100%
Total revenue	2,551,073,406	2,789,065,610	(237,992,204)	-9%
Expenditure				
Executive and Council	83,547,087	78,181,961	5,365,126	7%
Finance and Admin	311,960,531	674,944,687	(362,984,156)	-64%
Planning and Development	14,697,255	14,637,702	59,553	0%
Health	47,581,900	56,879,401	(9,297,501)	-16%
Community and Social services	43,104,741	44,965,194	(1,860,453)	-4%
Housing	15,251,518	13,581,622	1,669,896	12%
Public safety	94,599,770	95,918,382	(1,318,612)	-1%
Sport and recreation	31,179,904	30,601,696	578,208	2%
Environmental protection	8,167,192	7,626,510	540,682	7%
Waste management	331,256,293	178,048,118	153,208,175	86%
Road transport	55,279,963	88,860,260	(33,580,297)	-38%
Water	326,710,327	318,887,564	7,822,763	2%
Electricity	817,616,356	813,047,308	4,569,048	1%
Other	463,866,517	457,834,996	6,031,521	1%
TOTAL EXPENDITURE	2,644,819,354	2,874,015,401	(229,196,047)	-8%
SURPLUS/(DEFICIT)	(93,745,948)	(84,949,791)	(8,796,157)	

ENFULEN LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30
JUNE 2010
APPENDIX E2 (UNAUDITED)

	2010	2010	2010	2010	2010
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R
LAND AND BUILDINGS					
Buildings	3,435,983	3,583,259	7,029,222	3,950,000.00	(3,079,222)
COMMUNITY ASSETS					
Clinics/hospitals	-	220,000	220,000	288,727	68,727
Cemeteries	-	-	-	-	-
Indoor sports	-	1,184,248	1,184,248	1,554,201	369,953
Swimming pools	-	1,108,317	1,108,317	1,454,550	346,232
Parks	-	3,644,559	3,644,559	4,783,099	1,138,540
Recreation facilities	-	259,478	259,478	340,537	81,059
Libraries	-	-	-	-	-
Outdoor sports facilities	-	503,203	713,229	936,038	222,809
Fencing	210,026	480,090	509,141	668,193	158,053
Paving	29,051	2,422,116	2,863,237	3,757,697	894,460
Security systems	441,121	10,239,107	10,239,107	13,437,748	3,198,641
Other Community assets	-	-	-	-	-
	886,198	20,061,118	20,741,316	27,220,790	3,400,252

EMFULENI LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30
JUNE 2010
APPENDIX E2 (UNAUDITED)

	2010	2010	2010	2010	2010
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R
INFRASTRUCTURE					
Power stations	5 435,798	13 651,425	19 087,223	13 835,561	(5,251,662)
Load control equipment	61 760	2,220,076	2,281,826	1 854,004	(627,822)
Switchgear equipment	174,099	15,209,361	15,383,479	11,150,866	(4,232,614)
Supply / reticulation - electricity	189,298	3,661,014	3,790,312	2,747,445	(1,042,867)
Mains - electricity	-	3,967,231	3,967,231	2,875,886	(1,091,345)
Transformer kiosks	7,555,263	8,469,810	16,055,073	11,637,677	(4,417,396)
Street lighting	-	37,020	37,020	26,834	(10,186)
Traffic lights	183,097	134,745	317,841	230,390	(87,451)
Mini dumps	-	7,185,857	7,185,857	5,208,739	(1,977,118)
Motoways	374,474	49,371,776	49,746,250	35,059,057	(13,687,193)
Other roads	-	1,702,924	1,702,924	1,234,381	(468,543)
Car parks	17,288	44,310	61,598	44,660	(16,948)
Taxi rank	-	-	-	-	-
Stormwater drains	-	12,569,653	12,569,653	9,132,982	(3,466,671)
Sewers	7,542,233	47,583,548	55,135,780	39,965,710	(15,170,070)
Purification works	4,108,171	28,704,468	32,812,639	23,784,563	(9,028,076)
Meters	196,212	971,602	1,167,814	846,501	(321,313)
Mains - water	-	18,308,626	18,308,626	13,271,187	(5,037,439)
Reservoirs and tanks	-	2,982,220	2,982,220	2,161,691	-
Supply / reticulation - water	696,134	105,821,900	106,520,036	77,212,091	(29,307,944)
Subtotal	26,535,817	322,807,584	349,143,401	253,080,015	(95,242,857)

EMFULENI LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010
APPENDIX E2 (UNAUDITED)

OTHER ASSETS	2010	2010	2010	2010	2010
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R
Cable stations	36,276	385,000	385,000	464,438	79,438
Household refuse bins	1,365,734	-	36,276	43,761	7,485
Tables / desks	390,006	-	1,365,734	1,647,528	281,795
Cabinets / cupboards	6,532,100	-	390,006	470,476	80,471
Miscellaneous	565,090	36,763,625	43,315,725	52,253,156	8,937,431
Chairs	18,316,224	-	565,090	681,686	116,596
Motor vehicles	240,000	-	18,316,224	448,738	76,753
Bulk containers	80,066,631	131,985	371,985	448,738	76,753
Trucks / bakkies	1,684,439	4,854,905	84,921,536	2,031,093	(84,921,536)
Computer hardware	2,578,649	-	1,684,439	5,637,239	347,554
Office machines	116,459	-	4,673,040	140,488	24,029
Air conditioners	330,779	-	116,459	399,029	68,250
Graders	272,387	203,579	330,779	574,173	98,207
Lawnmowers	23,017	-	475,966	27,767	4,749
Compressors	-	-	23,017	-	-
Laboratory equipment	-	-	-	-	-
Radio equipment	167,254	-	167,254	201,764	34,510
Telecommunication equipment	656,808	453,325	1,110,133	1,339,189	229,056
Trailors	-	-	-	-	-
Backhoe	-	-	-	-	-
General	13,089,673	952,878	14,042,551	16,939,982	2,897,431
Subtotal	126,431,524	45,859,888	172,291,213	83,301,407	(86,989,806)
Grand Totals	157,083,503	392,121,549	549,215,930	363,602,212	(178,573,716)

EMFULENI LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010
APPENDIX E3

	2010 Actual R	2010 Under construction R	2010 Total additions R	2010 Budget R	2010 Variance R	2010 Variance %
Executive Council	522,183	33,940,889	34,463,072	43,090,295	8,627,223	20.02%
Finance and administration	4,316,619	1,544,445	5,861,064	7,125,034	1,263,970	17.74%
Planning and development	269,254	-	269,254	163,309	(105,945)	-64.87%
Health	2,148,642	2,279,197	4,427,839	5,209,705	781,866	15.01%
Community and social services	-	-	-	-	-	-
Housing	316,262	2,638	318,901	-	(318,901)	0.00%
Public safety	2,233,277	9,811,101	12,044,378	15,944,873	3,900,495	24.46%
Sport and recreation	621,321	2,235,147	2,856,468	11,530,518	8,674,050	75.23%
Environmental protection	-	-	-	-	-	0.00%
Waste management	362,870	78,866,125	79,248,995	110,328,486	31,079,491	28.17%
Waste water management	-	-	-	-	-	-
Road transport	101,329,110	1,308,982	102,638,092	662,987	(101,975,105)	-15381.16%
Water	24,928,836	189,846,315	214,775,151	94,626,945	(120,148,206)	-126.97%
Electricity	17,227,370	61,412,982	78,640,353	52,074,584	(26,565,769)	-51.01%
Other	2,787,758	10,873,828	13,661,586	22,845,476	9,183,890	40.20%
Subtotal	157,083,503	392,121,649	549,205,152	363,602,212	(185,602,940)	-51.05%

Capacity in terms of human resources to implement the approved projects was in inadequate
 Organogramme was approved in March 2009, therefore insufficient time to carry out the approved projects
 Capital expenditure adjusted upwards for roll-overs, ward based projects, additional MIG and Regional Sewer Scheme allocations
 Supply chain management process challenges in terms of turn around times
 Planning challenges in terms of turn around times

EMULELEN LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MFMA FOR THE YEAR ENDED 30 JUNE 2020
ANNEXURE F

	State organ	Opening Balance	Quarterly receipts				Quarterly expenditure				Closing Balance		
			Sept	Dec	Mar	June	Total	Sept	Dec	Mar		June	Total
Conditional Grants													
Restructuring Grant	National	(30,241,465)	-	-	-	-	-	1,616,107	5,166,810	4,172,635	1,031,538	12,007,089	(18,234,375)
Municipal Infrastructure Grant (MIG)	Provincial	(42,259,037)	-	-	(53,675,000)	-	(53,675,000)	8,616,274	28,202,288	13,108,448	11,547,778	61,734,788	(70,843,249)
Grants Ex-District	Seidibeng	(4,300,481)	-	(36,644,000)	-	-	(36,644,000)	-	220,000	374,636	1,001,459	1,596,354	(2,704,127)
Municipal Systems Improvement Grant	National	(37,286)	(500,000)	-	-	-	(500,000)	12,415	-	365,800	133,147	511,361	(25,965)
HIV Grant	Provincial	(854,253)	(778,242)	-	-	-	(778,242)	23,550	71,380	1,047,345	360,527	1,511,013	(121,463)
Financial Management Grant (FMG)	National	(752,736)	(750,000)	-	-	-	(750,000)	122,044	214,525	185,992	256,166	778,714	(764,025)
Born-je-Botlo	Provincial	(755,033)	(2,570)	(1,280)	-	(4,120)	(8,890)	-	-	-	11,262	11,262	(752,661)
Library Grant	Provincial	(5,417,429)	(692,000)	-	-	-	(692,000)	271,538	880,745	735,289	170,385	2,037,956	(4,061,492)
Sports Grant	Provincial	(978,516)	-	-	(1,038,380)	-	(1,038,380)	-	-	-	-	-	(2,016,896)
Deaf Grant	Provincial	(227,432)	-	-	(6,000,000)	-	(6,000,000)	-	22,280	10,011,314	924,697	10,957,085	(1,769,744)
Conditional Health Grant	Provincial	(1,606,625)	-	-	-	-	-	156,873	419,807	281,015	(2,399)	867,295	(209,329)
Regional Sewer Scheme	Provincial	(22,340,301)	-	-	-	-	-	317,833	8,579,580	5,701,811	7,097,545	19,696,609	(9,644,292)
Dry Sanitation Grant	Provincial	(281,034)	-	-	-	-	-	102,802	(102,802)	-	-	-	(281,034)
Initen Grant	Provincial	(9,840)	-	-	-	-	-	16,328	(8,164)	-	1,816	9,980	(9)
Social Development Grant	National	(500,000)	-	-	(1,000,000)	-	(1,000,000)	-	796,845	253,155	344,707	1,391,706	(108,294)
National Electrification Program	Seidibeng	(4,138,910)	-	-	-	-	-	-	576,381	-	(92,997)	-	(673,525)
MAIS(Seidibeng)	Provincial	(90,000)	-	-	-	-	-	-	-	-	-	-	(50,000)
Mamfeng Water Project	Provincial	(114,445)	-	-	-	-	-	-	-	-	36,761	-	(114,445)
DACE Grant	Provincial	-	-	-	(458,918)	-	(458,918)	-	-	-	-	-	(422,157)
EPWP	Provincial	-	-	-	-	(989,700)	(989,700)	-	-	-	-	-	(989,700)
Unconditional Grants													
Equitable Share	National	-	(184,749,576)	(429,399,713)	(107,107,202)	(989,700)	(380,256,491)	-	-	-	-	-	-
Subsidies													
Provincial Health Subsidy	Provincial	16,847,132	(11,962,339)	(329,509)	(3,568,501)	(13,398,125)	(29,246,473)	7,743,188	8,690,632	8,333,936	7,423,042	31,690,100	19,488,959
Environmental Health Subsidy	Seidibeng	1,004,219	(1,492,410)	(1,590,427)	(1,514,044)	(1,156,880)	(5,843,760)	1,481,699	1,590,427	1,614,044	1,890,943	6,367,113	1,556,572
Total		(100,486,224)	(177,907,136)	(173,964,423)	(174,682,964)	(15,548,825)	(542,373,635)	20,682,506	53,282,424	46,246,657	31,680,767	550,117,947	(92,771,232)

* All grants were spent in accordance with grant conditions